


AR12

annual report
march 31, 1971



MIDCON OIL & GAS LIMITED



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OIL & GAS LIMITED

FFICERS AND DIRECTORS

J. DOUGLAS STREIT	-	-	-	-	-	-	-	-	<i>President</i>
J. F. PAXTON	-	-	-	-	-	-	-	-	<i>Vice-President</i>
W. E. REARDEN	-	-	-	-	-	-	-	-	<i>Secretary-Treasurer</i>
GEORGE BROWN	-	-	-	-	-	-	-	-	<i>Assistant Secretary-Treasurer</i>

JOSEPH D. LIARD	-	-	-	-	-	-	-	-	<i>Toronto</i>
J. F. PAXTON	-	-	-	-	-	-	-	-	<i>Toronto</i>
R. G. PRICE	-	-	-	-	-	-	-	-	<i>Calgary</i>
W. E. REARDEN	-	-	-	-	-	-	-	-	<i>Toronto</i>
J. DOUGLAS STREIT	-	-	-	-	-	-	-	-	<i>Toronto</i>

MIDCON
OIL & GAS
LIMITED

McCORMACK, PARKER & HESTER - - - - Toronto, Ontario

CANADIAN IMPERIAL BANK OF COMMERCE - - Toronto, Ontario

ROYAL BANK OF CANADA - - - - Toronto, Ontario

GUARANTY TRUST COMPANY OF CANADA - Toronto and Calgary

727 - 7TH AVENUE SOUTH WEST - - - - Calgary, Alberta

ROOM 1000, 360 BAY STREET - - - - Toronto, Ontario

annual report
march 31, 1971

MIDCON OIL & GAS LIMITED

OFFICERS AND DIRECTORS

OFFICERS

J. DOUGLAS STREIT	-	-	-	-	-	-	-	-	President
J. F. PAXTON	-	-	-	-	-	-	-	-	Vice-President
W. E. REARDEN	-	-	-	-	-	-	-	-	Secretary-Treasurer
GEORGE BROWN	-	-	-	-	-	-	-	-	Assistant Secretary-Treasurer

DIRECTORS

JOSEPH D. LIARD	-	-	-	-	-	-	-	-	Toronto
J. F. PAXTON	-	-	-	-	-	-	-	-	Toronto
R. G. PRICE	-	-	-	-	-	-	-	-	Calgary
W. E. REARDEN	-	-	-	-	-	-	-	-	Toronto
J. DOUGLAS STREIT	-	-	-	-	-	-	-	-	Toronto

AUDITORS

MCCORMACK, PARKER & HESTER	-	-	-	-	Toronto, Ontario
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BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE	-	-	Toronto, Ontario
ROYAL BANK OF CANADA	-	-	Toronto, Ontario

TRANSFER AGENTS

GUARANTY TRUST COMPANY OF CANADA	-	Toronto and Calgary
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HEAD OFFICE

727 - 7TH AVENUE SOUTH WEST	-	-	-	Calgary, Alberta
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EXECUTIVE OFFICE

ROOM 1000, 360 BAY STREET	-	-	-	Toronto, Ontario
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Report of the Directors

To the Shareholders,

MIDCON OIL & GAS LIMITED.

Your Directors submit for your consideration the Annual Report of your Company, with attached Financial Statements, Balance Sheet and Auditors' Report for the fiscal year ended March 31st, 1971.

FINANCIAL:

Gross oil and gas Revenue and Net Income remained approximately the same in 1971 as 1970. The Northwest Nitro-Chemical Plant (controlled by Commercial Solvents of New York) continues to operate below their contract minimums.

You will note accounts payable on the Balance Sheet of \$65,413.08. \$63,373.12 of this amount is represented by gas paid for, but not taken by the Medicine Hat Nitro-Chemical Plant.

This amount of money is treated on the Balance Sheet as a Liability, and not taken into Income, since Northwest Nitro-Chemical has the right for six years to take the gas, which has previously been paid for in any Contract year, after they have taken the minimum amount in that Contract year.

LAND AND EXPLORATION

Arctic Islands

There has been a dearth of significant exploration news in Canada during the past year from all areas except the Arctic Islands and the Tuk Peninsula on the Canadian Arctic Coast, but from an exploration point of view things are definitely warming up in the Canadian High Arctic.

Panarctic Oils Ltd. has completed the drilling of eight wildcat wells in the Arctic Islands during the past three years and has made significant natural gas discoveries at both the Drake Point and King Christian Island wells. According to some reports, the latter well has discovered a gas field so large, it may double Canada's natural gas reserves.

This high success ratio of Panarctic has stimulated increased interest in the Arctic Islands. Imperial Oil recently entered the Arctic Island play for the first time under a farmout deal from Panarctic which involves wells on Devon Island and on the Hoodoo Dome structure of Ellef Rignes Island, plus seismic work on Ellef Rignes, Cornwall and Axel Heiberg Islands. The Arctic Island permit blocks of Midcon and its subsidiary Inter-Rock Oil Co. of Canada Limited are shown on Map No. 1. Our Ellef Rignes, Amund Rignes and Axel Heiberg permits will all receive direct exploration exposure from the Imperial Oil program. Midcon and Inter-Rock have a total of 260,797 acres of Arctic Island Permit in the Map

No. 2 Area, all of which has been farmed out to the Sun Oil Company. Sun Oil can earn a half interest in the permits by carrying a stipulated minimum exploratory program to completion by August 1976. In the meantime, the permits are carried at no cost to Midcon and Inter-Rock.

Midcon and Inter-Rock hold 96,146 acres of permit off the East Coast of Baffin Island which we acquired in March 1969. There has been a permit rush off Baffin Island by major oil companies during the past few months. Shell Oil filed federal permits covering about 21.5 million acres of offshore acreage in Baffin Bay. Cities Service entered a farmout agreement and took on about 8.5 million acres of federal permit, some of which directly offsets Midcon and Inter-Rock permits, and Gulf Oil Canada Limited acquired 5 million acres of offshore Baffin Island Permit this year. The increased interest in this area will result in exploration exposure for our permits and will likely provide us with the opportunity to farm out our permits so that they can be carried at no cost to Midcon and Inter-Rock.

Great Bear Lake

In July 1969, Midcon and Inter-Rock obtained 319,411 acres of Petroleum Permit in Smith Arm of Great Bear Lake. We have arranged to conduct a marine seismic survey this summer on this block jointly with Alminex, Canadian Export Gas, Yellowknife Bear Mines and Ram Petroleums, who hold over a million acres of contiguous permits in the area. This survey was originally scheduled for the end of the 1970 summer season, but the seismic contractor did not complete the survey of the adjacent Mobil Oil and Atlantic Richfield permits in time to do our work before freeze-up. As a result, our survey was re-scheduled for the 1971 summer season. Your Directors believe that pipelines to tie the vast oil and natural gas reserves already discovered on the Alaska North Slope by an overland route to the markets of the south 48 States will be built along the MacKenzie Valley route during this decade and if so, would give this Great Bear Lake area ready access to both oil and gas pipeline outlets. For this reason, we feel this is a very attractive exploration area.

Midcon and Inter-Rock have interests in a total of 676,354 acres of carefully selected federal permits north of the 60th parallel through farmouts and through joint participation with adjacent permit holders at a minimum of cost to Midcon, but in a manner that gives your Company a maximum of exploration exposure.

PRODUCING OPERATIONS

Midcon and our partner Pembina Pipe Lines Limited each own a 50% interest in South Alberta Pipe Lines Limited, which supplies gas under long-term contract to the City of Medicine Hat and to the Northwest Nitro-Chemicals Limited fertilizer manufacturing plant at Medicine Hat. South Alberta operates a 10½-inch-diameter pipeline which transports gas 45 miles from the Etzikom gas field (owned by Midcon and Pembina) to Medicine Hat and also operates a 14-mile 8-inch trunk line and a gas gathering system in the Medicine Hat gas field. This pipeline system represents a total investment of over 2.2 million dollars.

For the fiscal year ended March 31st, 1970, South Alberta gas sales were 2.861 billion cubic feet. The gas is now sold to Northwest Nitro at 15.5¢ per M.C.F., but this price will increase to 17.0¢ per M.C.F. on October 1st, 1971, which will increase our gas sales income for the next year.

Midcon and Pembina Pipe Lines Limited also own about 60,000 acres of natural gas lease in the Medicine Hat area. We have formed the Seven Persons Creek unit in the South-West section of the Medicine Hat field from which we produce Medicine Hat zone gas. In addition, we own about 30,000 acres of shallower Milk River zone gas rights in this area. Other operators, including Alberta Eastern Gas Limited and Atlantic Richfield, have started to develop Milk River gas reserve in South-Eastern Alberta during the past two years. Based on their results, it appears we may have substantial new Milk River gas reserves available from our leases but until we have an additional economic market available for this gas we do not intend to develop it. There are at present no export gas pipelines tied into our Medicine Hat area system and we have tied in sufficient reserves to meet area requirements, but we feel the ever increasing demand for gas supplies for export may result in an economic market for our Milk River reserves developing within the next year or two.

INTER-ROCK OIL CO. OF CANADA LIMITED

Midcon owns over 50% of the common stock of Inter-Rock and the enclosed financial statements are a consolidation of both companies. The northern holdings of Inter-Rock have been detailed previously in this report.

The principal Inter-Rock producing interests are a 0.23607% of interest in the unitized Nevis Gas Field and a 2.08333% of interest in the Buffalo Lake oil field unit. These fields are operated by Chevron Standard and Hunt Oil Company respectively. The 25¢ per barrel increase in crude oil prices posted last December, plus an increase in rate of take of Gas Reserves by TransCanada Pipe Lines Limited will both increase Inter-Rock production income in future.

June 28th, 1971.

Respectfully submitted,

On Behalf of the Board of Directors,

J. DOUGLAS STREIT,
President.

Consolidated Balance Sheet

(With comparative figures for 1970)

ASSETS

CURRENT ASSETS	1971	1970
Bank Balances (including interest bearing deposits 1971, \$246,866.46; 1970, \$230,913.71)	\$ 261,528.64	\$ 252,165.94
Accounts Receivable	34,491.10	28,093.35
Marketable Securities at cost (Market Value 1971, \$57,245.00; 1970, \$89,880.00)	18,816.25	18,816.25
Accrued Interest Receivable	12,252.32	12,506.80
Prepaid Expenses	1,576.28	274.69
	<u>328,664.59</u>	<u>311,857.03</u>
INVESTMENTS		
South Alberta Pipe Lines Limited — Shares and Debentures at cost (Note 1)	545,750.00	545,750.00
Northwest Nitro Chemicals Limited — Shares and Debentures at cost (Note 3)	14,469.53	14,469.53
Other Shares at cost less amount written off	6,001.00	6,001.00
	<u>566,220.53</u>	<u>566,220.53</u>
PROPERTY, PLANT AND EQUIPMENT AT COST (Note 2)		
Interest in Petroleum and Natural Gas Leases and Rights	1,119,229.18	1,119,729.18
Producing Well Costs and Production Equipment	571,327.15	518,620.02
Capped Gas Well	5,789.82	5,789.82
Furniture, Equipment and Automobile	9,948.93	9,948.93
Leasehold Improvements	5,753.09	5,753.09
	<u>1,712,048.17</u>	<u>1,659,841.04</u>
Accumulated Depreciation, Depletion and Amortization	386,701.29	348,569.71
	<u>1,325,346.88</u>	<u>1,311,271.33</u>
Lake Erie Pipe Line at nominal value		1.00
OTHER		
Deposits re performance of work (Note 4)	80,363.30	40,557.65
	<u>\$2,300,595.30</u>	<u>\$2,229,907.54</u>

AUDITOR

To the Shareholders,
MIDCON OIL & GAS LIMITED.

We have examined the consolidated balance sheet of Midcon Oil & Gas Limited as at March 31, 1971, and the consolidated statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial posi-

MIDCON OIL & GAS LIMITED
(Incorporated under the Laws of the Province of Alberta)

Statement - as at March 31, 1971
(as at March 31, 1970)

LIABILITIES

CURRENT LIABILITIES	1971	1970
Accounts Payable	\$ 65,413.08	\$ 38,836.62
MINORITY INTEREST	102,867.71	\$ 95,648.95

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
AUTHORIZED		
5,000,000 Common Shares No Par Value		
ISSUED FULLY PAID		
4,300,000 Shares	3,353,505.43	3,353,505.43
DEFICIT—Per Schedule	1,221,190.92	1,258,083.46
	<u>2,132,314.51</u>	<u>2,095,421.97</u>

Approved on behalf of the Board:

J. DOUGLAS STREIT, Director.

J. F. PAXTON, Director.

The attached Notes to Financial Statements are an integral part of the above Statement.

<u>\$2,300,595.30</u>	<u>\$2,229,907.54</u>
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REPORT

tion of the companies as at March 31, 1971, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
June 11, 1971.

McCORMACK, PARKER AND HESTER,
Chartered Accountants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 1971

Note 1: Consolidation Policy

The consolidated financial statements include the results of operations for the 1971 year and the financial position as at March 31, 1971, of Midcon Oil & Gas Limited and Inter-Rock Oil Co. of Canada Limited. As at March 31, 1971, the Company's interest in Inter-Rock was 52.09% of the voting stock of that Company.

Advances to the Company's inactive wholly-owned subsidiary, Aqua Land Exploration Limited, have been written off. The investment in this subsidiary was written off in 1966, since the Company has been inactive for a number of years and the remaining assets are considered to be of no value.

Midcon Oil & Gas Limited owns 50% of the issued and outstanding common shares of South Alberta Pipe Lines Limited which owns and operates a gas pipeline in the Medicine Hat area of Alberta. The Company also owns 50% of the issued and outstanding 5% First Mortgage Redeemable Sinking Fund Bonds of that Company. Payment of the principal of these bonds which was due on May 1, 1966, has been postponed with the consent of the bondholders, Pembina Pipe Lines Limited and Midcon Oil & Gas Limited. At March 31, 1971, the Company's share of the accumulated deficits of South Alberta Pipe Lines Limited based on the audited financial statements of the Company amounted to \$154,099.00 and its share of the loss for the year ended March 31, 1971, amounted to \$21,019.00. It is the policy of the Company not to take this share of the deficit, which exceeds its investment in the common shares of South Alberta Pipe Lines Limited by \$74,099.00, into account in the books.

Note 2: Accounting Policies

The Company follows the practice of charging exploration expenses, non-productive development expenses and the carrying charges on its properties to income as such costs are incurred. Property acquisition costs are capitalized. The costs of drilling productive wells are capitalized and the costs of drilling unproductive wells are charged to income when the wells are determined to be dry. Depletion and amortization of producing oil and gas lands and wells costs and production equipment is determined on the unit of production method. Depreciation of other plant and equipment is based on the estimated service lives of the assets calculated on the diminishing balance method.

Note 3:

The Company owns \$30,000.00 par value subordinated income debentures and 21,500 common shares of Northwest Nitro-Chemicals Limited, which Company is 95% controlled by Com-

mercial Solvents Corporation. The investment is carried at cost which is not intended to reflect present or future values. The securities are not listed on a stock exchange and the market is therefore restricted to quotations in respect to unlisted securities which are not considered to be representative of market values.

Note 4:

The Companies have made deposits of \$76,858.30 with the Government of Canada to guarantee the performance of work in connection with exploratory permits for gas and oil. The Companies also have drilling deposits of \$3,505.00 with the Province of Alberta.

Note 5:

No provision for income taxes is required for the year ended March 31, 1971, and at that date an excess of drilling and exploration expenditures was available to be applied against future profits.

Note 6:

The aggregate direct remuneration paid to the directors and the senior officers of the Company and its subsidiary in the year ended March 31, 1971, was \$13,700.00.

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

FOR THE YEAR ENDED MARCH 31, 1971

(With comparative figures for the year 1970)

	1971	1970
Gross Oil and Gas Revenue	\$ 215,972.61	\$ 206,601.77
Deduct Royalties	12,968.22	15,591.50
	<hr/>	<hr/>
Well Supervision	\$ 203,004.39	\$ 191,010.27
	7,800.00	7,800.00
	<hr/>	<hr/>
	210,804.39	198,810.27
Deductions		
Production, Processing and Transportation costs	100,905.57	104,571.25
Dry Hole Costs	2,500.00	
Plugging and Abandonment of Lake Erie wells	18,716.76	
Exploration Expenses	8,605.90	2,790.11
General and Administrative Expenses	44,070.91	43,454.03
	<hr/>	<hr/>
	174,799.14	150,815.39
Operating Profit	<hr/>	<hr/>
	36,005.25	47,994.88
Other Income		
Interest Earned	44,481.43	41,703.51
Dividends Received	857.52	857.52
Profit on Sale of Fixed Assets		1,318.05
Sundry Income	951.18	3,217.26
	<hr/>	<hr/>
	46,290.13	47,096.34
	<hr/>	<hr/>
	82,295.38	95,091.22
Other Deductions		
Depreciation, Depletion and Amortization	38,131.58	37,926.85
Advances to Wholly-Owned Subsidiary		
Written Off	52.50	64.79
Income Applicable to Minority Interests	7,218.76	7,349.55
	<hr/>	<hr/>
	45,402.84	45,341.19
Net Income	<hr/>	<hr/>
	36,892.54	49,750.03
Deficit, beginning of the year	1,258,083.46	1,449,818.15
Adjustment of Depletion and Amortization		141,984.66
	<hr/>	<hr/>
	1,258,083.46	1,307,833.49
Deficit, end of the Year	<hr/>	<hr/>
	\$1,221,190.92	\$1,258,083.46

The attached Notes to consolidated Financial Statements are an integral part of the above statements.

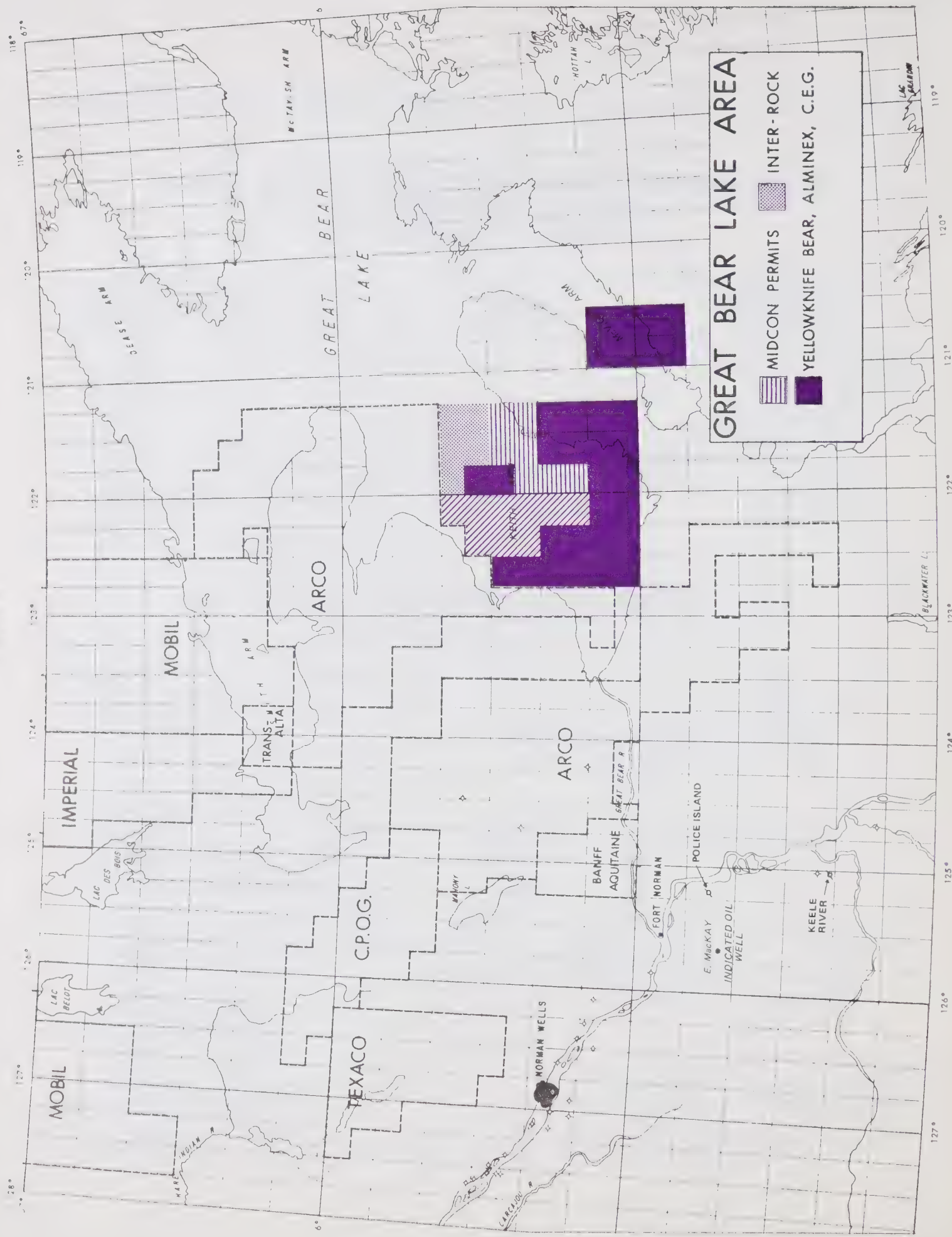
CONSOLIDATED STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED MARCH 31, 1971
 (With comparative figures for the year 1970)

	1971	1970
Head Office Services and Rent	\$11,534.73	\$10,620.00
Salaries and Wages	11,400.00	11,400.00
Canada Pension Plan	131.40	123.30
Directors' Fees	2,300.00	1,900.00
Secretarial Fees	2,146.50	
Telephone and Telegraph	1,136.61	973.61
Travelling Expense	318.89	1,383.25
Legal and Audit Fees	4,120.72	5,512.87
Reports to Shareholders	3,860.29	2,918.31
Share Certificates		421.01
Transfer Agents' Fees and Expenses	5,091.72	4,450.11
Stock Exchange Listing and Filing Fees	100.00	1,821.95
Miscellaneous	1,920.30	1,893.06
Bank Charges	9.75	36.56
	<u>\$44,070.91</u>	<u>\$43,454.03</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED MARCH 31, 1971
 (With comparative figures for the year 1970)

	1971	1970
Source of Funds		
Operations		
Net Income for the Year	\$ 36,892.54	\$ 49,750.03
Items not involving a current outlay of funds—		
Depreciation, Depletion and Amortization	38,131.58	37,926.85
Lake Erie Pipe Line Written Off	1.00	
	<u>75,025.12</u>	<u>87,676.88</u>
Sale of Fixed Assets less Profit on Sale included in		
Statement of Income		1,229.55
Profit of Subsidiary applicable to Minority Interests	7,218.76	7,350.55
	<u>82,243.88</u>	<u>96,256.98</u>
Application of Funds		
Purchase of Interests in Petroleum and Natural Gas Leases and Rights	(500.00)	2,250.00
Well Development and Equipment Expenditures	52,707.13	39,157.77
Purchase of Leasehold Improvements		2,184.72
Purchase of Other Capital Assets		19,508.92
Increase in Deposits	39,805.65	18,807.20
	<u>92,012.78</u>	<u>81,908.61</u>
Decrease (Increase) in Working Capital	9,768.90	(14,348.37)
Working Capital, beginning of the year	273,020.41	258,672.04
Working Capital, end of the year	<u>\$263,251.51</u>	<u>\$273,020.41</u>

MAP 1





*See inside this fold for map
of gas and oil locations.*

MIDCON OIL & GAS LIMITED



NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual general meeting of the shareholders of Midcon Oil & Gas Limited (the "Company") will be held at Suite 1000, 360 Bay Street, Toronto, Ontario, on Tuesday, the 27th day of July, 1971, at the hour of 11.00 o'clock in the forenoon (Eastern Daylight Saving Time) for the following purposes:

1. To receive the consolidated balance sheet of the Company and its subsidiary as at March 31st, 1971, together with the statement of consolidated income and deficit, the consolidated statement of profit and loss and the consolidated statement of source and application of funds for the year ended March 31, 1971, together with the reports of the directors and the auditors on the said consolidated balance sheet and consolidated statements.
2. To elect directors.
3. To appoint auditors and to authorize the directors to fix their remuneration.
4. To transact such other business as may properly come before the said meeting or any adjournment thereof.

DATED at Toronto, Ontario, this 28th day of June, 1971.

BY ORDER OF THE BOARD,

W. E. Rearden,
Secretary.

INFORMATION CIRCULAR

This circular is furnished in connection with the solicitation of proxies by management of Midcon Oil & Gas Limited (hereinafter sometimes called the "Company") for use at the annual general meeting of shareholders of the Company to be held on Tuesday, the 27th day of July, 1971, at Suite 1000, 360 Bay Street, Toronto, Ontario, Canada, for the purposes set forth in the foregoing notice of meeting.

RIGHT OF REVOCATION

A shareholder executing the enclosed proxy has the power to revoke it at any time before it is exercised.

PERSONS MAKING SOLICITATION AND METHOD THEREOF

The enclosed proxy is solicited by the management of the Company and the cost of solicitation will be borne by the Company. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The directors of the Company have resolved that the share transfer register shall be closed after July 12, 1971, and no transfer of shares shall be made until after July 28, 1971. Accordingly, only shareholders of record at the close of business on July 12, 1971, will be entitled to vote at the annual meeting. Each share of the Company is entitled to one vote. The Company has only one class of shares. At June 28, 1971, the Company had outstanding 4,300,000 shares without par value.

To the knowledge of the directors or senior officers of the Company, the following was at June 28, 1971, the only beneficial owner directly or indirectly of equity shares of the Company which carry more than 10% of the voting rights attached to all equity shares of the Company:

<i><u>Name of Shareholder</u></i>	<i><u>Approximate number of shares</u></i>	<i><u>Percentage of out- standing equity shares represented</u></i>
Yellowknife Bear Mines Limited	1,338,240	31.12%

ELECTION OF DIRECTORS

The shareholders will be asked at the annual general meeting to elect five (5) directors. The following are the names of the five persons for whom it is intended that votes will be cast for their election as directors pursuant to the proxy which is hereby solicited: Robert G. Price, J. F. Paxton, J. Douglas Streit, William E. Rearden, and Joseph D. Liard.

The term of office for each director is from the date of the meeting at which he is elected until the annual general meeting next following or until his successor is elected or appointed. In the event that prior to the annual general meeting any vacancies occur in the slate of nominees submitted herewith, it is intended that discretionary authority shall be granted to vote the shares represented by the proxy for the election of any other person or persons as directors. The management is not presently aware that any of such nominees would be unwilling to serve as a director if elected.

J. Douglas Streit is the President, J. F. Paxton is Vice-President, and W. E. Rearden is the Secretary of the Company at present.

INFORMATION CONCERNING NOMINEES AS DIRECTORS

<u>Name and Principal Occupation</u>	<u>Period(s) served as a Director</u>	<u>Shares beneficially owned directly or indirectly as of June 28th, 1971</u>
JAMES F. PAXTON, Mining Executive	Since August, 1956	501
J. DOUGLAS STREIT, Member of Toronto Stock Exchange and Geologist	Since July, 1957	125,853
WILLIAM E. REARDEN, Secretary	Since July, 1967	1,000
ROBERT G. PRICE, Petroleum Engineer	Since July, 1968	10
JOSEPH D. LIARD, Mining Executive	Since July, 1970	10

All nominees have held the principal occupations indicated for more than the last five years.

REMUNERATION OF MANAGEMENT

During the fiscal year ended March 31, 1971, the aggregate direct remuneration paid by the Company and its subsidiary whose financial statements are consolidated with those of the Company, to directors and senior officers was \$13,700. The Company paid \$6,397.62 during such fiscal year by way of head office rental and secretarial fees to a private company whereof J. Douglas Streit is an officer, director and shareholder.

APPOINTMENT OF AUDITORS

It is intended to vote the shares represented by the enclosed form of proxy to re-appoint the firm of McCormack, Parker and Hester, Chartered Accountants, of Toronto, the present auditors, as the auditors of the Company. They were first appointed auditors of the Company on July 27, 1966.

PARTICULARS OF MATTERS TO BE ACTED UPON AND DISCRETIONARY AUTHORITY

Management is not aware that any matters will be submitted to the forthcoming annual general meeting of shareholders other than the receipt and consideration of the aforesaid consolidated financial statements, the election of directors and the appointment of auditors, all as referred to in the foregoing notice of meeting. If any other matters not now known to management shall properly come before the meeting, including a vacancy or vacancies caused by one or more of the nominees for directors becoming unavailable for election, the shares represented by the enclosed form of proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy, and discretionary authority necessary in such event is conferred by any person completing the enclosed form of proxy.

MANNER OF VOTING PROXIES

The shares represented by proxies in the form enclosed will be voted, and will be voted in accordance with the statements made above. It is intended that the accompanying instrument of proxy, if signed, dated and returned to the Company prior to the meeting and completed in the names of the persons therein named, will be voted in the election of the board of directors and in favour of the appointment of auditors aforesaid, all as set forth above.

THE PERSONS NAMED IN THE ACCOMPANYING INSTRUMENT OF PROXY ARE OFFICERS OF THE COMPANY. A SHAREHOLDER HAS THE RIGHT TO APPOINT ANY PERSON OTHER THAN THOSE NAMED TO REPRESENT HIM AT THE MEETING AND IF USING THE ACCOMPANYING INSTRUMENT, MAY EXERCISE SUCH RIGHT BY INSERTING THE NAME OF HIS NOMINEE IN THE SPACE PROVIDED THEREFOR. A SHAREHOLDER MAY SUBMIT ANY OTHER APPROPRIATE INSTRUMENT OF PROXY.

DATED as of this 28th day of June, 1971.

Printed in Canada